

Dear Member,

Once again, North Arkansas Electric Cooperative, Inc. continued its commitment to member service in a financially responsible manner. Our operating margins of \$2,445,948 were adequate to meet the requirements of mortgage agreements. Member equity in the system was 37.2 percent at the end of the year. Members were refunded \$1,620,147 in cash to redeem patronage capital credits. The 2015 redemption brings the total capital credits refunded to members to \$27,838,161.

BKD, LLP audited our financial records. You are welcome to examine that report.

System statistics of interest include: average meters served, 36,281, a net increase of 97 meters; more than 4,929 miles of power lines; 1,356 average monthly kilowatt-hours used by members, up 50 kilowatt-hours from the previous year; a system peak demand of 181,832 kilowatts, recorded in the month of January; and a net plant valuation of \$151,406,299 at year's end.

Additional financial data and operations information is available in this annual report. If you have any questions concerning your electric cooperative, we are happy to answer them.

Michael Dover
Michael Dover, President

Beth Carter
Beth Carter, Secretary-Treasurer

Mel Coleman
Mel Coleman, Chief Executive Officer

Annual Meeting Official Notice

Notice is hereby given that the Annual Membership Meeting of North Arkansas Electric Cooperative, Inc. to be held on Thursday, June 2, 2016, at the Salem High School in Salem, Arkansas, beginning at 11:00 a.m. for the following purposes:

1. To pass on reports for the previous fiscal year;
2. To elect three directors for the cooperative; Fulton County to serve a term of five years, Sharp County to serve a term of six years and Baxter County to serve a term of six years; and,
3. To transact such other business as may properly come before the meeting.

Beth Carter
Beth Carter, Secretary-Treasurer

Dated at Salem, Arkansas, this 16th day of May 2016.



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Program

Registration	11:00 a.m. - 6:30 p.m.
Entertainment:	3:30 p.m. - 5:45 p.m.
Barbecue Meal:	3:45 p.m.
Business Meeting:	6:30 p.m.

Members Matter.



A Touchstone Energy® Cooperative 

Members Matter.

North Arkansas Electric Cooperative and its wholesale energy provider, Arkansas Electric Cooperative Corporation (AECC), were founded by visionary Arkansas electric cooperative members. Those visionaries successfully achieved the original electric cooperative mission of providing reliable and affordable power.

Although energy policies, demographics and governmental regulations have changed in the past six decades, one thing has remained constant North Arkansas Electric Cooperative's continued commitment to its members. As a member-owned and member-driven organization, the policies and decisions made by North Arkansas Electric Cooperative are focused on powering our communities and empowering members to improve the quality of their lives. Why? Because Members Matter.

Across Arkansas, 17 locally owned member distribution cooperatives provide electricity to approximately 500,000 homes, farms and businesses in Arkansas and surrounding states. These members account for approximately 1.2 million residents in the state of Arkansas, representing almost every community and spanning the geographic footprint of Arkansas' mountains, valleys, rivers, streams and farmland.

Strategic Vision

Since its founding, North Arkansas Electric Cooperative has been focused on its members. The issues affecting cooperative member-owners today are different from, but just as significant as the ones that faced previous generations.

North Arkansas Electric Cooperative works to ensure members have access to the most economical electric service possible through AECC, which has a diverse generation portfolio that includes coal, natural gas, hydroelectric assets and long-term power purchase agreements that include wind, solar and biomass energy sources. Decisions by the North Arkansas Electric Cooperative board of directors and leadership team are based on the ultimate short-term and long-term benefits to Arkansas electric cooperative members.

Service

North Arkansas Electric Cooperative and the state's other 16 electric distribution cooperatives assist the communities they serve by not only delivering power to businesses, farms and homes across Arkansas, but by helping to grow their communities through economic development efforts and supporting the business expansions and community initiatives. The cooperatives sponsor community fundraising, development and service events while employees devote hundreds of volunteer hours to projects. Electric cooperative directors and employees know that strong communities coupled with reliable, affordable electric service provide the fuel for economic growth. But we go one step further and work to provide state-of-the art, affordable, scaled and efficient services to support our communities so that we empower our members to improve the quality of their lives. North Arkansas Electric Cooperative directors and employees serve as advocates for our communities and our members by constantly striving to assist Arkansans in every possible manner.

We are Arkansas

As members of 17 distinct electric cooperatives across the state, Arkansas' more than 1.2 million electric cooperative members are more than just customers. They own their local electric cooperative. As part of the structure of democratically controlled cooperatives, member directors have a vote in policy decisions and the electric cooperative leaders answer directly to their members.

Collectively, Arkansas' electric cooperatives represent the largest private business in Arkansas. This success has been powered by board members and employees who understand and implement the membership structure and philosophical vision; that electric utility cooperatives exist wholly to serve their members. This mission and structure is the essence and lifeblood of the electric cooperative business model and community. Employees and members are also friends and neighbors. At North Arkansas Electric Cooperative members matter because that is who we are, We are Arkansas.



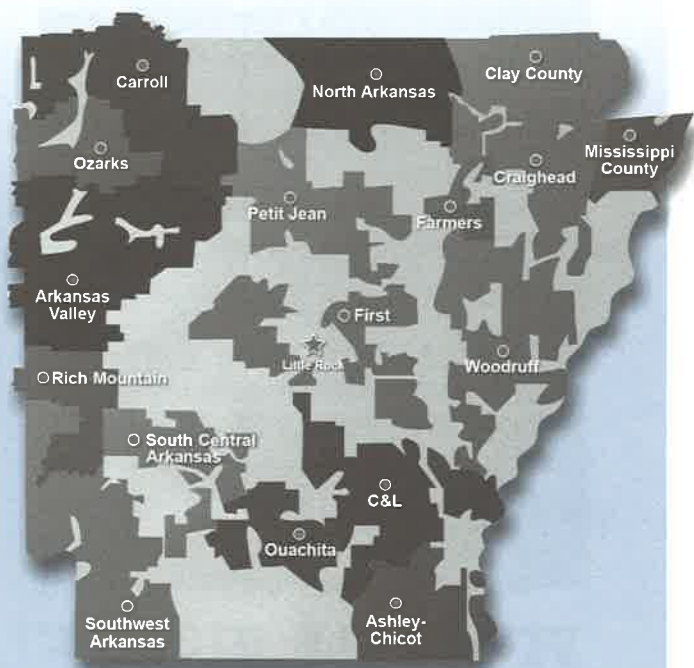
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Members Matter.



We Are Arkansas!

2015 Annual Report North Arkansas Electric Cooperative, Inc.

REVENUE AND EXPENSE STATEMENT*

	2015	2014	2013
REVENUES			
Electric energy sales	\$62,623,838	\$66,205,875	\$62,923,413
Other electric revenue	1,001,197	1,052,889	990,216
Total Operating Revenue	\$63,625,035	\$67,258,764	\$63,913,629
EXPENSES			
Purchased Power	\$31,767,103	\$34,555,484	\$33,647,734
Operation/maintenance	9,914,605	9,769,882	9,101,467
Depreciation	6,381,241	6,090,538	5,921,609
Interest on Long Term Debt	4,997,249	5,223,220	5,545,923
Administrative and General	4,637,261	4,215,809	4,178,425
Consumer accounting/collecting/information	3,481,628	3,456,764	3,358,661
Total Operating Expenses	\$61,179,087	\$63,311,697	\$61,753,819
MARGINS			
Operating margins	\$2,445,948	\$3,947,067	\$2,159,810
Other margins and capital credits	207,244	255,479	1,003,039
Non-operating revenues	1,917,607	1,916,171	1,889,422
Total Margins	\$4,570,799	\$6,118,717	\$5,052,271

*As reported to USDA Rural Utilities Services and National Rural Utilities Cooperative Finance Corporation

BALANCE SHEET* As of December 31

	2015	2014	2013
ASSETS			
Net utility plant	\$151,406,299	\$150,350,063	\$147,636,588
Investments in associated enterprises	28,652,455	29,228,699	29,077,301
Cash and cash equivalents	17,673,536	17,262,991	17,006,861
Accounts receivable	9,518,715	11,032,841	12,007,939
Other assets	6,647,396	7,013,153	7,174,601
Total Assets	\$213,898,401	\$214,887,747	\$212,903,290
LIABILITIES			
Debt to RUS and CFC	\$97,110,164	\$101,426,297	\$106,095,323
Accrued liabilities	26,262,167	26,166,204	24,169,657
Accounts payable	3,290,098	4,413,640	4,303,308
Other liabilities	2,913,694	3,046,687	2,815,837
Total Liabilities	\$129,576,123	\$135,052,828	\$137,384,125
MEMBERS' EQUITY			
Membership fees	\$692,495	\$690,730	\$690,910
Patronage capital	84,296,179	81,346,127	76,488,838
Other equities	(666,396)	(2,201,938)	(1,660,583)
Total Net Worth	\$84,322,278	\$79,834,919	\$75,519,165
Total Liabilities & Net Worth	\$213,898,401	\$214,887,747	\$212,903,290

*As reported to USDA Rural Utilities Services and National Rural Utilities Cooperative Finance Corporation

Officers & Directors

Michael Dover
President

Jasper "Doc" Freeman
Vice President

Beth Carter
Secretary-Treasurer

Cameron Davis
Director

Larry Goodwin
Director

Mark Montgomery
Director

Jim Short
Director

Dennis Wiles
Director

Sonya Wiles
Director

Mel Coleman
Chief Executive Officer



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THE REVENUE DOLLAR

HOW IT WAS EARNED

	2015	2014	2013
Farm / residential	\$45,537,506	\$48,590,965	\$46,159,623
Commercial / industrial	16,876,248	17,447,941	16,602,676
Street / highway lighting	210,084	166,969	161,114
Miscellaneous	1,001,197	1,052,889	990,216
Total	\$63,625,035	\$67,258,764	\$63,913,629

HOW IT WAS USED

	2015	2014	2013
Purchased Power	\$31,767,103	\$34,555,484	\$33,647,734
Operation/Maintenance	9,914,605	9,769,882	\$9,101,467
Depreciation	6,381,241	6,090,538	5,921,609
Interest on Long Term Debt	4,997,249	5,223,220	5,545,923
Administrative and General	4,637,261	4,215,809	4,178,425
Consumer accounting/Collecting/Information	3,481,628	3,456,764	3,358,661
Operating Margins	2,445,948	3,947,067	2,159,810
Total	\$63,625,035	\$67,258,764	\$63,913,629

SYSTEM STATISTICS As of December 31

Item	2015	2014	2013
Average number of meters billed per month	36,281	36,184	36,213
Average number of meters per mile of line	7.36	7.37	7.41
Average miles of power line in operation	4,929	4,913	4,887
Total kWh bought by cooperative members	590,210,749	610,233,722	598,355,967
Average monthly kWh use per meter	1,356	1,405	1,377
Average monthly farm / home kWh usage	976	1,032	1,013
Average monthly revenue per meter billed	\$143.84	\$152.48	\$144.80
Average revenue per kWh sold (¢/kWh)	0.1061	0.1085	0.1052
Average revenue per farm/home kWh sold (¢/kWh)	0.11561	0.11699	0.11323
Average power cost adjustment per kWh sold (¢/kWh)	0.00202	0.00337	0.0047
Total kWh bought by cooperative	634,787,569	656,607,505	644,460,969
Total cost of power bought by cooperative	31,848,741	34,555,484	33,647,734
Average cost per kWh bought by cooperative (¢/kWh)	0.05017	0.05263	0.05221
Power (kWh) required for system operation (office use)	1,298,382	1,275,911	1,127,365
kWh unaccounted for (line loss)	43,278,438	45,097,872	44,977,637
System peak demand (kW)	181,832	190,474	156,221
Month of system peak demand	January	January	June
Counties served and property taxes paid:			
Baxter	\$602,212	\$595,945	\$584,948
Fulton	\$273,366	\$269,951	\$260,954
Izard	\$184,464	\$183,489	\$179,824
Sharp	\$140,322	\$137,377	\$134,464
Marion	\$23,076	\$22,527	\$22,062
Stone	\$6,403	\$6,395	\$6,329
Lawrence	\$403	\$399	\$416
Randolph	\$33	\$0	\$0
Total property taxes paid	\$1,230,279	\$1,216,083	\$1,188,997